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## REFORM IN FEDERAL TAXATION.

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"THE surplus revenues justify the reduction of taxes at an early day." So said the Republican State Convention of New York, October 5th, 1881. "We protest that too much revenue is raised." So said, on the same day, the Democratic State Convention of Massachusetts, and could the people of the United States generally, by whatever name they may choose to designate themselves politically, be questioned on the same subject, the answer which without doubt they would substantially make would be, "So say we all." Nevertheless, the demand for reform in Federal taxation, thus far, is based upon little more than a sentiment on the part of the great majority of our people. They know generally that far more revenue is raised annually by the Federal Government by taxation than is necessary to meet all its ordinary expenditures. And although they may have never read anything on the subject of political economy, nor have discussed nor given a thought to the philosophy and incidence of taxation, they all know, in addition, and as it were instinctively, that excessive taxation is always an evil and a burden; and that the higher the taxes, even though they may pay nothing directly to the tax-gatherer, the higher their rent and the greater the cost of their food, their fuel, and their clothing. The masses, therefore, without further inquiry, are ready to welcome the opportunity which they feel is now offered for tax reform in direction of tax reduction. On the other hand, it is sufficient for the politicians to recognize that a sentiment for tax reform finds favor among the people: for they know full well that nothing is likely to be more popular and politically effective than a demand for a reduction of taxation; and that no charge more damaging to a party can be preferred than that of accountability for the continuance of high taxes. The two great political parties of the country, without

stopping to fully acquaint themselves with what is involved in the new policy, have, therefore, hastened, as we see, to put themselves right upon the record. It needs, however, but a very slight study and examination of our national fiscal condition to satisfy that back of this popular demand for reform in Federal taxation there is something a good deal more serious and substantial as basis than a sentiment, and also that the questions involved in such reform, which are certain to soon occupy the attention of the public, are of such a nature as will compel the ordinary politician to think twice before he fully determines upon which side he will commit himself. Let us, then, briefly call attention to the results of such an examination.

The existing system of Federal taxation was framed to meet exigencies which have long passed away. The amount of revenue in excess of all ordinary expenditures of the Government and for interest, at present collected by Federal taxation from the pockets and industries of the people, is considerably more than one hundred millions of dollars per annum. Or, to put the case more specifically, the national expenditures, including interest on the public debt, but exclusive of contributions to the sinking fund for the payment of the debt, for the present fiscal year, which ends June 30th, 1882, will be about \$250,000,000; while the revenues will aggregate more than \$360,000,000. For the next fiscal year, assuming national expenditures and taxes to continue about the same, and that no substantial check is given to the industrial progress and prosperity of the country (and none can be reasonably anticipated, except as the result of our own folly), the national surplus revenue will be undoubtedly much greater, and will amount to one hundred and thirty, and possibly to one hundred and forty, millions; and for future years, under a continuance of the same conditions, this surplus is likely to continue to increase.

The total interest-bearing debt of the United States, on the 30th of September, was \$1,593,102,250. The decrease in national debt during September, through payments, was \$17,483,641; and during the quarter ending with that month it was \$41,742,856. And yet, notwithstanding these large disbursements, in addition to payments on account of the ordinary expenses of the Government, the cash on hand in the Treasury, available in great part for the reduction of debt, reported on the 30th of September, was in excess of two hundred and fifty millions of dollars.

There have been a good many surprising things in the fiscal experience of the United States since the outbreak of the war in 1861, but there has been nothing more wonderful than the collection, in time of peace, with no demonstrations of opposition on the part of the people, of these large surpluses ; a matter which finds no precedent in the history of any country. It is therefore reasonably certain that if no change is made in the present Federal tax system, the whole interest-bearing portion of our national debt will be paid off and extinguished in a period of about ten years ; involving during that time a complete destruction of the present national banking system, enormous financial disturbances from the absorption, through payment, of numerous trust funds of individuals, savings-banks, and other corporations ; and the necessity at the termination of the period of all at once radically changing and greatly reducing our whole Federal tax system ; for no one can believe that the people of this country will be willing to continue to pay taxes, for the mere pleasure of it, when the necessity for payment has ceased to exist.

Again, let us also consider some of the more immediate effects of the continuance of the present Federal tax system and rapid debt-paying policy. The only present (October, 1881) remaining portions of the national debt payable at the option of the Treasury, are the so-called  $3\frac{1}{2}$  per cents resulting from the continuance of \$178,055,150 of the 6's of 1881 ; and from the continuance of \$400,869,950 of the 5's of 1881 ; a total of \$578,925,100. Taking into account the progressive increase in the means of payment by the annual reduction of the national interest, and also the increase in the products of taxation arising from the continued development of the country, four years will amply suffice for the payment and extinguishment of all this class of our securities. After these come \$250,000,000 of the  $4\frac{1}{2}$ 's, payable in 1891, and \$738,710,850 of the 4's, payable in 1907 ; the withdrawal and extinguishment of which in advance of the stipulated date of payment can only be effected by purchase by the Treasury in open market ; an operation that evidently will not be free from embarrassments. For certain it is that the holders of these securities will not part with them before they are obliged to, except upon the condition of receiving the largest premium that they can force the Treasury to give ; which, in the case of individuals, must be large enough to make a transfer to other and probably less secure investments clearly advantageous ; and in the

case of banks, large enough to make it profitable for them to abandon their circulation, which of necessity they must do, if they part with what will then be the only basis for circulation. Supposing the country to acquiesce in the policy of the purchase of these bonds by the Treasury at a probable premium of 30 per cent. (present premium 13 per cent. on the 4½'s of 1891, and 15½ on the 4's of 1907), which is not probable, the country certainly could not and would not endure for any length of time the financial disturbances certain to arise from any spasmodic contraction of the bank circulation, or from the extensive withdrawal of money and its accumulation in the Treasury, which would almost inevitably be incident to any attempt to purchase bonds in any large amounts at a premium; inasmuch as the sales of such bonds, being wholly at the option of the holders, must almost of necessity be irregular and uncertain. It is not difficult, furthermore, to imagine a condition of things at an even earlier period, when the financial disturbances consequent on the possession and retention of a large surplus revenue by the Treasury would be so great as to occasion an almost irresistible popular demand for a repeal of the sub-treasury system, and a recurrence to the old and now almost forgotten expedient of using the banks as depositories of the public moneys, and of allowing the deposits to be loaned, as the only preventative of wide-spread financial disaster. If it be said, in reply, that all these possibilities are exaggerated, and not likely to occur, the answer is, that the only conditions under which they cannot occur are those contingent on an early reduction in the amount of the national surplus revenues through extensive reductions in Federal taxation, or of making the continuance of the existing system coincident with a very large increase in national expenditures. It is clear, therefore, that if not already, there soon will be something, as already stated, a good deal more serious than sentiment at the bottom of the demand for reform in national taxation; and the question of greatest moment at present before the people of the United States is: Shall the work of reform be entered upon at once, and with full time for its consideration, or shall we negligently, or through disagreements as to the details of reform, put off the work until urgent necessity enforces such hasty and radical legislation as to inevitably entail wide-spread fiscal disturbance and disaster? As the American people have never been accused of stupidity, there can be no question—when the points at issue are once understood—of a

unanimous agreement on the part of the public, to the effect that there shall be no delay in this matter of Federal tax reform, and that Congress shall enter upon its consideration at the earliest practical moment. But, on the other hand, it is equally evident to all who have given the subject attention, that in respect to the method of reform to be pursued, or as to what taxes in particular shall be reduced or abolished, there is not only no present popular agreement, but, on the contrary, the most opposite and extreme diversities of opinion, and that, in fact, the whole subject of tax reform is likely from the very outset to be beset with difficulties of the most perplexing and serious character. To the nature of these prospective obstructions, attention is next requested.

The first difficulty arises from the great lack of familiarity, or, to speak more explicitly, from the total non-acquaintance on the part of legislators, politicians, the organs and leaders of public opinion, and, in short, of almost the whole people, with the subject to be reformed, and the nature of the work to be done. The United States, since the year 1861, have had the largest and most varied experience in the theory and practice of taxation, Federal, State, and municipal, that has ever happened to any nation; and, practically, would seem to have learned little or nothing by reason of it. In fact, it is probably no exaggeration to assert that there are to-day in the United States more persons competent to discuss the nature and structure of the Sanscrit language than the philosophy, incidence, and ultimate influence of taxation; and lest this assertion should be deemed an absurdity, and subject the writer to the charge of most profound egotism, it is proposed to here submit certain evidence in its substantiation. The first witness we will call to the stand shall be Senator Edmunds, of Vermont, a gentleman to whom the public rightfully concedes the possession of a large measure of statesmanship, learning, and ability. In a speech at the opening of the political campaign, July 21, 1880, at Vergennes, in Vermont, Mr. Edmunds was reported as saying: "Everybody pays taxes at the North; nine-tenths of the only tax which the South pays is the whisky tax, and a little on tobacco"; and this same averment substantially was subsequently taken up and repeated, without challenge, by numerous other speakers on the Republican side, ex-Senator Conkling especially arraigning the South, in a speech delivered at the Academy of Music, in New

York City, in the following language: "Since the war, Ohio alone has paid more internal revenue than all the late Confederate States united. New York alone has paid nearly twice as much. If customs duties were added, the comparison would be still more striking." Now, the idea evidently intended to be conveyed by Messrs. Edmunds, Conkling, and others who spoke to like effect, was that New York, Illinois, and Ohio paid Federal taxes which the people of the South avoided, or from which, by reason of natural or voluntary conditions, they were exempt. But nothing could be more absurd and incorrect; and what sort of a conception must these gentlemen, with so much of legislative experience, have of the nature of taxation, if they really spoke from conviction, and not for political effect. For the people of the South, since the war, on all the articles from which the Federal Government derives internal revenue or customs, have, in common with the people of the North, paid taxes in exactly the same proportions—no more and no less—and according to their consumption of the taxed articles; always assuming the illicit evasion of taxes to be as great, comparatively, in one section as in the other. Thus, to illustrate, is it to be supposed that the people of the State of Illinois, when they paid last year (1880) to the Federal Government \$19,585,000 on their domestic production and sale of whisky, charged the consumer only some twenty cents to represent the cost of manufacturing, and then, in the spirit of brotherly love and generosity to the whisky-drinker, paid the ninety cents Federal tax on each gallon out of their own pockets, and bore the burden and went on with their business? Or did they simply advance the tax equally with the cost of manufacturing, and was not the whole advance subsequently repaid by the man who bought and ultimately drank the whisky? And if the latter conclusion be correct, and if the South, as is generally charged, drinks more whisky, comparatively, than any other portion of the country, then is not the boot decidedly on the other leg, and should not the credit of contributing under this head to the Federal exchequer be awarded to the Southern States, rather than, as Messrs. Edmunds and Conkling would have it, to the States of Ohio and Illinois? And again, does anybody suppose that because New York City, during the fiscal year 1880–81, paid some \$120,000,000 out of a total of \$186,000,000 of customs revenue collected during the same time from the whole country, that the

people of New York were thereby any more burdened by the tariff than the people of the most remote part of the country? or that their regularly imported sugar and silk cost them a fraction of a cent more on account of duties than was paid by the people who consumed sugar and wore silk in Alabama or Colorado? And what is finally yet more remarkable is, that the Democratic party allowed these utterly absurd statements about the distribution of taxes to be preferred to their damage, and made no attempt to refute and expose them.

In further evidence, take also the results of the work of a commission appointed last winter by the Governor and Legislature of New York, to revise the local tax system of that State. They commenced by openly assuming that the system of New York, which is less effective, less creditable, and more unjust and immoral than that now in existence in any civilized state, was so perfect as to need only restrengthening by statute and the establishment of certain definitions; and they ended by recommending a tax on credits (trust mortgages), which no country in the Old World aspiring to commercial greatness has ever ventured to impose, and a tax on the sales of merchandise, which finds its best precedent in the "Alcavala" of the worst years of Spain, and may be studied instructively from the record of the tragic scenes which resulted from its imposition in Holland.

Consider, also, the argument recently presented in a circular of a prominent Philadelphia banker and politician, and which finds favor in many quarters, for an entire repeal of all internal revenue taxes, on the ground that the repeal would restore to the Southern States some new objects for taxation, of which "they are so greatly in want." Passing by the evident confusion of mind which gave birth to the idea that an impoverished State can find fiscal relief by spreading its taxes *thin*, rather than by concentrating them, what could be more impractical and absurd than that the States should be able separately to increase their revenues by taxation of the local manufacture of distilled spirits, fermented liquors, and tobacco—the only three subjects of taxation of any great importance of which the internal revenue system of the United States yet takes cognizance, and which yielded in 1880 exactly 90.6 per cent. of the total collections in this Department. Suppose, for example, the State of Kentucky should, in the event of the Federal Government relinquishing the tax on distilled spirits, take up the matter and impose a



special, discriminating tax of even so little as five cents per gallon on every gallon of distilled spirits manufactured within its territory and jurisdiction: and a smaller rate of tax would probably not be thought worth enacting. Yet, five cents per gallon is more than twenty-five per cent. of the average cost of manufacturing raw whisky; and if Kentucky should permanently impose such a tax, and the neighboring States of Ohio and Illinois should not follow her example, it would require no more time to transfer the business of distilling out of Kentucky and into Illinois and Ohio than would be necessary for the Kentucky distillers to move themselves, their skilled workmen, and their capital. And if it was proposed to have the tax apply to only so much of the domestic manufacture of whisky as was consumed in Kentucky, and to allow all exports of whisky manufactured within the State to go untaxed, the system of personal and business inquisition, restriction, and annoyance necessary to enforce such discrimination would not require more than a twelvemonth to occasion a political revolution. And what is true of distilled spirits is equally applicable to the manufacture of tobacco and fermented liquors.

And, passing from things particular to things in general, how grim was the satire and yet how keen was the truth embodied in the last year's joke of a comic paper, which put into the mouth of the gallant and gentlemanly Democratic candidate for the presidency, after the publication of his letter of acceptance, the following answer to an interviewer on the subject: "Tariff!! who is he?" and how well the party put themselves in alignment with their candidate on this subject, when, in ignorance of the material in their ammunition boxes, and of a decision by the United States Supreme Court (20 Wallace, p. 665) that taxation for any other purpose than public revenue exclusively is unconstitutional and inconsistent with the principles of a free government, they turned their backs on their old-time principles, and became frightened at the shadow of their own platform.

Take, also, the following, in illustration and evidence of how little the people of the country seem inclined to profit by their own experience in taxation. In 1865, Congress raised the tax on distilled spirits to \$2 per proof gallon. The revenue directly derived from this tax during the first full year (1866) of its operation was \$29,481,000, indicating a domestic consumption of about 14,500,000 gallons. Two years later (1867-8), under the

influence of frauds, which germinated naturally under the temptation of a tax which represented an advance of 1000 per cent. on the first cost of the article assessed, the direct revenue from spirits ran down 50 per cent., or to \$14,290,000, indicating a domestic consumption of only about 7,000,000 gallons. In 1868, Congress, influenced by loss of revenue rather than by any other argument, reduced the tax to 50 cents per gallon, and one year afterward, or in 1869-70, the Government assessed and collected the spirit tax on 78,480,196 gallons, as compared with 7,000,000 two years before. In 1872, Congress, mainly on the recommendation of a commissioner who knew a good deal about politics but very little about taxation, increased the direct tax to 70 cents, and the average quantity of spirits that paid this rate during the three years of its existence was 63,721,000 gallons. In 1875, the tax was further advanced to 90 cents per gallon; and for the fiscal year 1880, the last for which returns are available at present writing, the number of gallons which paid tax was 62,131,000; or, in other words, with an increase of 80 per cent. in the rate of tax since 1872, and an increase in population of at least 8,000,000, with no apparent diminution in consumption, and in a year unparalleled in the history of the country for the prosperity of the masses and the activity of manufactures, the annual production of proof spirits in the United States in the year 1880, of which the Government was able to take cognizance and assess for revenue, was upward of 16,000,000 gallons less than were demonstrated to have been produced and consumed in 1869-70, or ten years previously. Now, no one can reasonably doubt that the country consumed more, and not less, spirits in 1880 than it did in 1870; and it is altogether probable that the real consumption for the former year was in excess of 80,000,000 gallons; and if this estimate be correct, then there was a direct loss to the Treasury in the way of revenue, during 1880, of at least \$16,000,000. And yet no one appears to have taken cognizance of this leak, or to be particularly anxious to stop it; and the people most solicitous about civil-service reform seem to overlook the fact that bad finance in a state inevitably occasions bad administration, any number of civil-service regulations to the contrary.

So much in illustration of the stock of knowledge in the country available for draft in the matter of intelligent tax legislation.

A further very serious difficulty that stands in the way of intelligent Federal tax reform, is the unwillingness of a large and influential class of persons—in Congress and out of Congress—to have any reform whatever if the work is to necessarily entail any important reductions in the tariff. The idea of having a commission of experts in civil life, whose duty it should be, as a preliminary matter, to extensively investigate and advise Congress as to what changes in Federal taxation were expedient, had its origin in New England, among some of her leading manufacturers, who found themselves grievously oppressed by many of the provisions of the existing tariff, and yet, in common with most conservative and thoughtful business men, are afraid of the effect of legislation looking to fiscal changes, and especially of hasty, ill-considered, and partisan legislation. And the idea, in the abstract, is most excellent; although almost all previous experience shows that Congressmen rarely read, and are hardly ever influenced by the reports of any outside advisers. But the idea was at once taken up, and has since then been mainly advocated by the ultra-tariff men of Pennsylvania and other States, who, in the enjoyment of high and almost prohibitory duties on the import of all products competitive with their own, desire nothing so much as to be let alone; and who saw in the plan of a commission a most admirable pretext and occasion for delay and obstruction—first, by making its prospective creation and investigation a persuasive reason, in the first instance, to the then Congress to do nothing immediate; and second, for choking off any early action in way of tax reform in the subsequent Congress, by appealing to the inexpediency of any action in advance of a final report of the commission. The scheme thus far has worked admirably. No commission has yet been appointed, and none now can be in season to report a basis for Congressional action before the short session of the XLVIIIth Congress in 1883; and elaborate legislation, as every one knows, is rarely perfected during a short Congressional session. A very little management, therefore, is all that is needed to carry the whole matter over to another year (1884) and to another Congress; which is equivalent to an indefinite postponement. To further aid in this high tariff anti-reform scheme, the most typical representative of the old-time, anti-protection, anti-monopoly Democratic party was persuaded to play the rôle of father to it—although the child was begotten and born before the venerable

ex-Senator Eaton ever heard of its existence. Ex-Speaker Randall, more shrewd, was quick to see and avail himself of its merits from the Pennsylvania stand-point; for, when questioned during the last presidential campaign concerning the "tariff-for-revenue plank" of the Cincinnati Convention, he substantially made answer that, as a commission to investigate the tariff was certain to be created at the next session of Congress, it was not worth while to drag the matter into current politics; but when the next session came, neither Speaker Randall nor any one else raised a voice in the House in favor of the commission; and the bill creating it, which passed the Senate, was quietly allowed to die of neglect upon the Speaker's table.

To some, doubtless, this assumption and criticism may seem unwarranted, and as the offspring of an unfair and partisan spirit. But in proof that no mistake has been made, or any unwarranted inferences drawn, attention is asked to another and more recent scheme for making the prospective reform in Federal taxation subservient to private rather than public interests, and which emanates substantially from the same parties, who have been most solicitous to have a lengthened investigation by a commission as a prior condition of any practical legislation.\* This last takes shape in the form of a letter addressed by Wharton Barker, a banker and ultra tariff advocate of Pennsylvania, to United States Senator Justin S. Morrill, but published in the form of

\* It is curious to note that some of the persons now most desirous of the creation of a commission to investigate the workings of the tariff, were most strenuous, some years ago, to prevent a Federal officer, appointed for this very purpose, from investigating and reporting the results of his investigation. What the late President Garfield thought of such action, and what sort of a commission he would have appointed had he lived, may be inferred from the following extract of a letter written by him to the then United States Special Commissioner of the Revenue, the day after a leading member of Congress from Pennsylvania had moved the House to strike out from the Appropriation Bill the salary of the commissioner, and so abolish his office:

"HOUSE OF REPRESENTATIVES, February 24, 1869.

"What does this raid signify? This only: They have created an office by law, and appointed an officer whose duty it is to find facts and report conclusions on our industrial and financial interests; but he must find facts to satisfy these people, and his conclusions must support their theories, or they will not tolerate him. The spirit of the Spanish Inquisition is in this thing!—the spirit that brings people to the stake for opinions, the very devil of partisanship.

Very truly yours,

"JAS. A. GARFIELD."

a circular, and sent broadcast throughout the country. This letter in its first half presents clearly the facts concerning the present surplus revenues of the Government, their prospective increase, and the disturbances which are likely to accrue from a continuation of the existing Federal tax system; and winds up with a proposition for solving the problem by at once abolishing all the taxes at present collected under the internal revenue system, and with various specious arguments in favor of the same. Now, it ought not to require a second thought on the part of any one to perceive that this proposition is simply a dodge to prevent any reconstruction or reduction of the existing tariff, which represents a "war exaction" equally with the internal revenue taxes; although Mr. Barker is very careful in his letter to limit this designation exclusively to the latter. Thus, if the internal revenue system is continued, the product of its taxation, it is estimated, will amount to \$130,000,000 for the current year. But if the whole internal revenue system is abolished *en bloc*, as Mr. Barker, ex-Speaker Randall, and their friends propose, the advocate for any reduction of the tariff will be met with the averment that the Government has already reduced taxation and revenue to the lowest extent compatible with financial solvency, and that any further demand for reduction is therefore preposterous. Possibly the American people will consent to tax iron and steel, and exempt whisky; sugar, and exempt tobacco; the bunting out of which the national flag is constructed (117 per cent. in 1880), and exempt beer and playing-cards; but if they do, it is to be hoped that they will clearly understand in advance what is the end and object of their action.

Herein, also, we have a clew to the great interest which certain politicians have recently exhibited in prospective internal improvements under Federal auspices—such, for example, as the clearing out and straightening of the Mississippi, and the like; for if the surplus revenues of the Treasury can be depleted in this manner, the arguments in favor of a reduction of Federal taxation will manifestly have much less of cogency.

A third difficulty that has got to be considered in maturing any intelligent scheme of Federal tax reform,—one to which a thought on the part of the public has hardly yet been given, and which is somewhat in the nature of a *lucus a non lucendo*,—is that our present tax system is so peculiar, that a reduction of taxes does not necessarily imply a reduction of reve-

nue, but rather an increase, and, therefore, a maintenance or augmentation of the existing surplus. Or, in other words, it is clearly possible to materially reduce many taxes, to the great benefit of the people and industry of the country, and yet collect from them as much or more revenue than accrues at present. Thus, for example, in 1870, with a tax of fifty cents per gallon on distilled spirits, and a carefully arranged system of license taxes on distillers, dealers, and rectifiers, the Government collected from those sources a gross revenue of nearly \$56,000,000. In 1879, with a ninety cents per gallon tax, and a much larger and more prosperous nation to consume, the corresponding gross receipts were only \$52,570,284; and in 1880, they were \$61,185,000. Now, a return to the old tax would, beyond a doubt, increase the revenues by at least \$10,000,000; would greatly cheapen the price of alcohol, and so benefit many branches of industry, and in addition would put an end, in a great degree, to illicit distillation, and the present large expenditures for suppressing the same—nine hundred and sixty-nine illicit stills having been seized, and one thousand three hundred and nineteen persons arrested in connection therewith, in the year 1880. In 1879, the taxes on manufactured tobacco were reduced thirty-three per cent., but the revenue fell off only fifteen and one-half per cent. The Commissioner of Internal Revenue earnestly opposed this reduction, and prophesied an annual loss to the revenue of at least \$9,000,000, inclusive of the reduction on snuff. The reduction actually experienced for 1880 proved to be only \$3,801,000, or \$4,579,000 in comparison with the receipts of 1878. Note, also, the corresponding changes in domestic consumption: In 1878, with twenty-four and thirty-two cent rates per pound, the whole amount of chewing and smoking tobacco which was assessed for revenue was 108,824,000 pounds; in 1880, with the rates reduced uniformly to sixteen cents, the quantity assessed and passed for consumption was 132,309,000, or 23,485,000 pounds more. It does not need to be pointed out, also, that under the tariff many taxes are so high as to be absolutely, or nearly, destructive of all revenues. Thus, in 1878, the amount of revenue received on the import of copper in the form of pigs and bars was five cents. On the import of blankets in 1879, \$1283 was collected; on the import of cotton machinery (duty 50 per cent.), \$476; on the import of steel rails (duty 104.90 per cent. *ad valorem*), \$72,649; and on bunting (duty 117 per cent.), \$232.

Such, then, is a sketch of the situation. That early, intelligent action is demanded, all will agree. But can such action be had? Certainly, the probabilities of it are small if the protectionists and anti-protectionists are to sharply antagonize each other from the beginning. The high-tariff party generally may be assumed to have a majority in the present Congress. But the high-tariff party is not a unit. Every protected manufacturer would like to retain the high prices which protection, in the absence of too much domestic competition, insures to his products; but every intelligent manufacturer wants to be supplied with raw materials as cheaply as his foreign competitor, and knows that if the tariff prevents this, there is little or no chance of extending his business beyond the domestic market. It is not, also, going to take the American laborer a great while to learn that, with the enormous increase in the supply of labor by emigration and natural growth, and the constant supplementation of labor by machinery, the limitation of manufacturing supply to domestic markets means reduction of wages and limitation of employment beyond all peradventure. But the raw material of one protected interest is the finished product of some other, and where shall the line be drawn? Again, if the ultra protectionists propose to force their scheme of abolishing the entire internal revenue system with a view of preventing any reductions whatever of the tariff, or of having a commission of inquiry only with a view of delaying all action, they will soon find they have undertaken a work easier projected than carried out. And, on the other hand, if the free trade element were in Congressional ascendancy, they would also soon learn that the business of the country would demand that they "make haste slowly" in their methods of reform. People that have been trained for long years to walk upon crutches ought, on the simple ground of humanity, to be allowed to use canes as preliminary to attempting to walk freely.

What, then, is to be done? There is but one answer. There must, or ought to be, a compromise, on the basis of patriotism and common sense, of all antagonizing interests in furtherance of a reform which has become imperative; and such a compromise is practicable by all parties agreeing to urge upon Congress to do at its next session those things only in respect to which a majority of all parties may agree should be done. At first thought, such a proposition may seem absurd and impracticable,

but a little reflection will soon convince to the contrary. In the first place, no one is likely to object to the appointment of a commission to investigate and report on the whole subject of Federal tax reform, although Congress, judging from all precedents, is not likely to be much influenced by any report or recommendations which such commission may make, unless public attention has, in the meantime, become largely interested in its work and recommendations. Hence the beauty of ex-Senator Hendricks's proposition that the tariff should be taken out of politics, which is only a roundabout way of advising that the American people should not interest themselves and publicly discuss the most important public topic that can at present engage their attention. If Senator Hendricks thinks the Democratic party is likely to profit in the future by adopting a do-nothing, know-nothing policy in respect to the tariff, he is likely to find out his mistake at the next general election; for although the voters of the free-trade way of thinking may be very far from a majority in numbers, they are yet sufficiently numerous to hold a balance of power as between the Democrats and any other party; and they certainly do not propose to support a party which cries "good Lord" at its conventions, and "good devil" on the stump. In the formation of the commission, five of the proposed nine members may, and probably must, be conceded to the high-tariff interest, as they have already announced their intention of controlling the work. But to this the liberal element will offer no strenuous objections; and, if there is any truth in the old proverb, "Thrice is he armed who has his quarrel just," three truly representative members of the anti-protection party will suffice to keep the other six busy. To the proposition that the commission should be composed of "practical men," it is to be said that, if by "practical men" are meant men who have spent their lives in mastering one specific industry, and know little or nothing of any other,—your iron-smelter, cotton-spinner, pottery-manufacturer, copper-worker, or chemist,—then their report will almost certainly be made up of unconnected and indigested information and opinions of interested parties. The anomalous and disgraceful tariff now existing is the result of the labors of just such men, who have gone to Washington as representatives of particular interests, and have fought and lobbied and log-rolled until they have got what they wanted, without caring in the least how their success may have affected other equally meritorious interests.



Practical business men are needed as witnesses and experts; but the make-up of the commission should consist of men trained to take and sift evidence, and clearly deduce and state conclusions therefrom—men who are familiar to some extent with the philosophy of taxation and the results of experience, and who, although decided in convictions, are determined to seek and know and state nothing but the truth. And such men are not abundant.

Next to the appointment of the commission, the right thing to do would seem to be for Congress to attack the monstrosities of the tariff—the eighty, ninety, one hundred, and one hundred and twenty-five per cent. duties. Such duties have really nothing to do with the question of protection or free trade. They are wrongs upon the Treasury, and wrongs upon the industry of the country; and their removal before entering upon the real work of reform would be analogous to the removal by the surgeon of the rags and dirt from the surface of a subject which he proposed to submit to dissection. But this cannot be done. The producers of steel rails, of blankets, bunting, spool-thread, bichromate of potash, of copper, boiler-tubes, and the like, are prepared to fight to the last extremity before they will allow the duties on their products to be singled out and reduced; and the Congress that can struggle successfully against the money and influence they are able to put into such a contest has not yet been elected. The idea of commencing the work of tax reform by attacking tax abuses clearly, therefore, has got, at least for the present, to be abandoned. But there are, nevertheless, some changes of moment in the tariff which all, or nearly all, will probably agree should be speedily made. No one, for example, probably will object to a removal of the discriminating duty on the East India barks of which quinine is made, which was left in force when the duty on quinine was repealed; and no one ought to object to the great simplification of the customs which would result from a repeal of the act which requires freights, commissions, the cost of packing and baling, foreign port charges, and the like, to be added to the general market value or wholesale price of foreign merchandise to constitute dutiable value. Certain articles by general assent might also be added to the free list—such, for example, as antiquities intended for sale, the elephants and snakes of showmen, domestic animals not intended mainly for breeding, some tropical fruits, ants' eggs

(duty twenty per cent.), plum-puddings, repairs on vessels occasioned by disasters at sea, many chemicals, and the like. The duty on distilled spirits, as above shown, might also be reduced to advantage from ninety to fifty cents per gallon; and, in deference to a singular popular sentiment, the stamp taxes on matches and bank-checks may be entirely removed—although these two are theoretically the most unobjectionable taxes in the whole category, being self-collecting, and yielding the maximum of revenue with the minimum of expense and annoyance to the public.

As the abatement of these taxes will not, however, result in much, if any, reduction of the surplus revenue, some other provision to that end should be made; and that can be accomplished by adopting a plan recently proposed by Mr. Atkinson, of Boston, in a communication addressed to certain New England manufacturers: namely, by enacting that on and after the 30th of June, 1882, ten per cent. shall be deducted on payment from all Federal taxes—distilled spirits, of course, to be excepted in case the tax on the same is reduced to fifty cents per proof gallon. Such a reduction would injure no one and be productive of some benefit. The steel-rail maker would have his protection reduced from \$28.00 to \$25.20 per ton; the copper producer from 5 to 4½ cents per pound; and the blanket manufacturer from 92 to 83 per cent. *ad valorem*. Its acceptance would, moreover, test the sincerity of all parties as to their willingness to agree to a most moderate reduction of taxation, in a spirit of compromise and patriotism; and at the same time leave everybody free to adhere to his own opinions as to the expediency of a tariff for revenue or protection, and be as bitter about them as he pleased. It would theoretically reduce the revenue to the extent of some thirty-six millions; but probably would not reduce it at all. But the great resulting benefit to be anticipated from the adoption of this plan would be that the people of the whole country, and more especially the manufacturing and commercial interests, would have an opportunity to safely find out whether they were likely to be hurt from a reduction of the tariff. And if, at the end of a year's experience, they found that they had not been, and that the commission in the meantime had not reported satisfactorily,—as it is certain it will not to all parties,—then another tentative reduction of another ten per cent. might be tried for another year; and so on, until a basis satisfactory to

the majority of the people was attained. And if, on the contrary, the result of reduction did not prove satisfactory, the remedy could be quickly applied by ceasing to experiment further in this direction.

Finally, there is one point in connection with this movement for a revision of the existing Federal tax system which ought not to be overlooked. Has not the time come when the people of the United States, laying aside the economic contentions of the past, should seriously consider if it is not possible to adopt a national policy whereby, instead of standing on the defensive, as they now do, in respect to the manufacture of the great staples of the world's consumption, they may almost at once assume the aggressive—bidding defiance to all foreign competition, and sending our products under our flag to every nation of the earth that has got anything of value to give us in exchange, and will not, following the precedents we have instituted, repel us by protective tariffs? Consider what are the conditions for supremacy in the so-called manufacturing industries. Cheap food, cheap land, cheap fibers, abundant coal and iron, the educated, inventive brain, the skillful hand, and low taxes. All these except the last, we have as no other competitive nation, and the last we may have if we so will. A degree of national development, an accumulation of abundance, an opportunity for remunerative employment for all who are willing to work, and a diversity of industry, such as the most sanguine American has as yet hardly ventured to dream of, are therefore certainly within the possibilities of our attainment as a nation. Was there such an opportunity for statesmanship ever before granted to the legislators of any people? Shall such opportunities be improved, or shall we, as heretofore, allow certain great private and selfish interests to thrust themselves right across, and so block the great highway of national development?

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